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C O N F I D E N T I A L SECTION 01 OF 03 KYIV 001822

SIPDIS

EUR FOR UMB - JOE WANG

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TAGS: PREL BR

SUBJECT: MINSK: OPEN TO ROAD MAP DISCUSSION WITH THE USG,  
IF ONLY TO REDUCE ITS DEPENDENCY ON RUSSIA

Classified By: Political Counselor Colin Cleary, Reason 1.4 (b,d)

¶1. (C) Summary: The President's Chief of Staff, Vladimir Makey, reaffirmed to Charge on October 14 the desire of Belarus to craft a Road Map with the USG on improving US-Belarus bilateral relations. He said they welcomed a fluid discussion with the PA in the lead on the Belarusian side. Makey underscored that Belarus needs to decrease its economic dependence on Russia; he has seen no change in GOR's preference for dictating to its "partners." He personally believes that recognition of Abkhazia and South Ossetia by GOB will not change Russia's heavy handiness towards Belarus although some in the GOB, he said, have a different view. He believes the President is committed to economic reform, including privatization. He said GOB will be seeking USG support to expand IFI lending to Belarus in 2010, and understands there will be economic conditionality. He appeared to imply that they saw it as the lesser evil of having to turn to Russia for help, yet again. Political liberalization, on the other hand, is something more difficult for Presidential Administration to stomach, but he said they are open to discussing our different perspective on this issue within the context of the Road Map. End Summary.

¶2. (C) On October 14, Charge met with President's Chief of Staff, Vladimir Makey, at his request. In an hour and twenty minute meeting, Makey apologized for the lack of progress on flushing out a Road Map (RM) agreed upon with A/S Gordon on August 14. He said that between the summer break, other pressing matters, including a number of high level meetings involving Russia, the issue had fallen by the wayside. He said he asked for the meeting with the Charge to reaffirm Belarus' interest in moving the process forward, and indeed, called it a historic opportunity to improve relations between the two countries.

¶3. (C) Having sought clarification on how the RM should proceed, Makey said that unlike Foreign Minister Martynov's comments to DAS Russell on the margins of UNGA, the Presidential Administration (PA) would take the lead on the discussion and include the MFA and other Ministries as necessary. He also agreed that the process should not be wedded to a document but instead be a fluid back and forth discussion. He instructed Valentin Rybakov, his Foreign Affairs Advisor, to begin the discussions with Charge ASAP. Rybakov volunteered that perhaps it would be best to launch the process with a senior level meeting for Makey in Washington. Charge responded he would forward the proposal but believed Washington would be inclined to elevate the discussions once real progress had been made on the RM. Makey and Gordon had set out the goal, laid out the parameters, and blessed the process, but to date no progress had been made. Makey agreed and said he would be happy to meet with Charge once a month or as need be if problems arose.

¶4. (C) In response to Charge's comment that he heard from the IFI Resident Representatives that despite progress with their counterparts in the Central Bank, MinFin and even MinEcon, everything had to go through the PA for final approval and the PA economic decision makers would override or distort the agreements that had been reached. Makey argued that it was actually the opposite and that PA was the driving force for economic change in Belarus. (Note: Both IMF and WB Res Reps found his response baffling. End Note.) PA fully supports economic liberalization and the privatization and often has to push the government, Makey said, to move more quickly. PA favors large scale foreign direct investment from the West. He said they were talking to Poland about the refineries and would welcome and strongly support US companies interested in purchasing refineries, banks or factories in Belarus, although they would not to be sold at fire sale prices. It was critical (a theme he repeated often) that Belarus diversify its economic relations. Its dependence on Russia's market and capital served only to undermine the independence and sovereignty of Belarus. He said they were well aware that they would have financial shortfalls in 2010 and he asked that the USG support funding through the IMF and WB to Belarus so they would not have to rely on Russia.

¶5. (C) He reported that at the Chisinau CIS summit, when other members tried to engage in a serious discussion on how to improve economic coordination between the countries, "Medvedev just sat there and smiled" knowing full well the other countries were dependent on Russia. Unlike in western organizations were there are genuine friendships and partnerships Russia preferred to dictate. Saying this was his opinion and thus only the three of us would hear it (he

KYIV 00001822 002 OF 003

used this phrase a number of times) that even if Belarus recognized Abkhazia and South Ossetia, Russia would continue to press Belarus; it would never be its real partner. All the same, he did warn that there were elements in the PA and government who were predisposed towards recognition. He said this was not a negotiating tactic on his part, but just a fact he wanted to share with us.

¶6. (C) Charge mentioned that through USAID we were exploring efforts at initiating a program to promote the growth of small and medium size businesses in the private sector as well as work with the Latvians on establishing a English language Riga MBA program in Minsk. He said PA welcomed and supported both. The growth of the private sector was inevitable, and it was important that Belarus be prepared for it. He said that PA was interested in engaging directly with the Charge on the MBA program. The response was that despite the USG being the largest funder in this joint effort with the Latvians, the Latvians had the lead on this effort and we respected that and supported their role. Makey responded with a chuckle and said, see the difference (a reference to the Chisinau CIS meeting).

¶7. (C) Charge concluded by expressing his appreciation for the PA's intervention when Charge called the evening of Oct 7 to complain about a crew showing up on the Charge's doorstep to film, including into the house, the arrival of political party representatives for a dinner Charge hosted for the visiting Coordinator of Assistance to Europe and Eurasia, Dan Rosenblum. Charge reminded Makey that in their first meeting Makey had assured the Charge the Embassy could meet with anyone in society but asked that it also meet with government figures. Charge said he had held up his part of the bargain with his meetings, and indeed, Mr. Rosenblum had met with the Chairman of the Central Bank. Makey apologized and said when he heard of it he had put a stop to it immediately.

¶8. (C) Makey added that elections were not far off and people were getting nervous and that the special services in any country had to keep track of people who were a threat to the country. He claimed that the opposition figures were playing

into Russia's hands by trying to isolate Belarus, which would only increase its dependence on Russia. Charge said he was confident the services could keep tabs on people in a much more sophisticated way and what had transpired was just harassment. Makey agreed. Charge continued that isolation of Belarus was not the policy of the USG, but a by product of the decisions GOB made in terms of how it handled issue of human rights, freedom of the press, and elections. The choice was not between east and west, as there were no longer two camps, but it was about the decisions Belarus made internally about what type of economic and political system it would have that would affirm the sovereignty and independence of Belarus, something the USG supported. Makey concluded the meeting by saying our respective understanding of these issues would be clarified in the RM.

¶9. (C) Comment: The theme of the meeting mirrored the conversation with A/S Gordon, namely that Belarus had learned during the financial crisis the harsh consequences of being so dependent on Russia; much as in a boxing ring, Russia just pushed harder when Belarus appeared weak. However, more so than before, Makey, and the PA and GOB writ large, realize that there is no going back to the economic model that allowed them to maintain the social compact with society -- full employment, economic predictability, and consistent be it gradual improvement in people's economic welfare; and thus the genuine popularity of Lukashenka. The model, based on cheap oil and gas from Russia, and a Russian market that bought most of what Belarus produced, and that allowed Belarus to sell finished petroleum products to the West, was gone; and even if Belarus was offered the chance to return to it, total dependence on Russia was no longer in the interest of Belarus.

¶10. (C) Comment Continued: PA and GOB, the latter a subset of PA, has increasingly, be it reluctantly, accepted the economic reform criteria of accessing IFI funding as the lesser of two evils. A potentially strong structural reform program in a follow on Stand By Agreement in April of 2010, as would be required under Article 4, may be the best way in the short run to foster change of the economic system in Belarus. To date the maintenance of a state economy has been one of the major tools of control over the population by the Lukashenka regime. A more relaxed approach to human rights, independent media, and political pluralism, is something, at least for now, the PA still looks upon with great fear. Therefore, the continued presence of sanctions in their

KYIV 00001822 003 OF 003

current form most likely are a necessary requirement to remind the PA of the value the West applies to these principles, and thus push for continued incremental progress in this sphere. This combination of carrots and sticks may be the best approach to helping Belarus achieve what it profess it wants to be -- an independent and sovereign country.

¶11. (U) Embassy Minsk Charge d'Affaires a.i. Michael Scanlan cleared this message.

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